

Federal Highway Trust Fund

Federal Highway Trust Fund Sources

The Federal Highway Trust Fund is the primary source of funds for federal surface transportation programs. Below is a financial statement from the

Indiana and TEA-21

FHWA showing sources of revenue to the Highway Trust Fund by category for FY 2000.

On June 9, 1998, President Clinton signed TEA-21 into law. The legislation authorizes the federal-aid highway, transit, safety and research programs charged

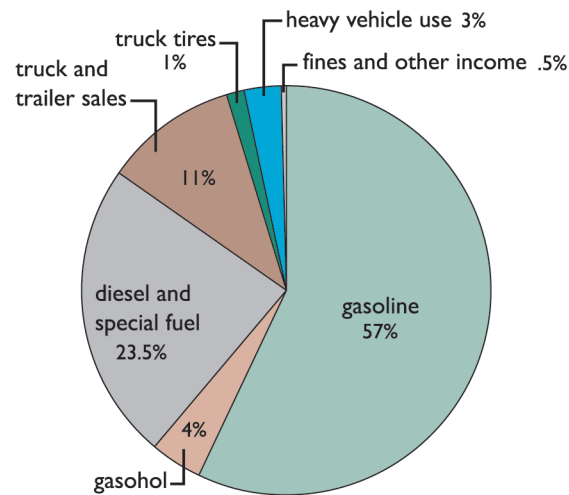
with maintaining and improving the nations surface transportation system. The Indiana Department of Transportation supports the legislation for its equity, flexibility and budget protections.

Two provisions of TEA-21 in particular provide more equitable funding for Indiana. The legislation provides a guaranteed level of funding for fiscal years 1998-2003 by taking highway and transit program funding "off-budget." This means that these programs no longer have to compete with other federal priorities for scarce dollars. Because of the off-budget provisions, transportation agencies know the minimum funding they will be receiving through the life of TEA-21 and can therefore better plan for future projects.

The second provision that increased Indiana's funding was a minimum guarantee of at least 90.5 percent of its share of contributions to the highway trust fund returned to the state in distributions.

Indiana's Federal Highway funds will increase by an average of \$261 million per year over the average of the ISTEA years. INDOT, cities and counties share these funds.

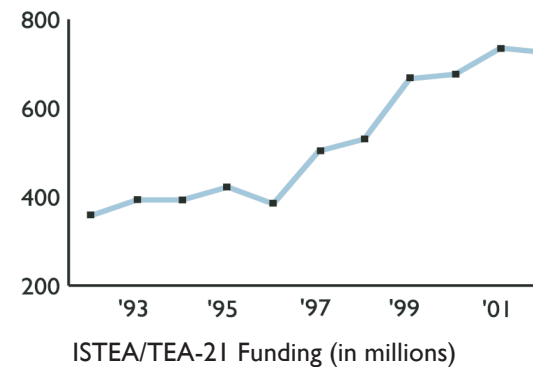
The graph below shows the amount of funding Indiana received, in millions, from ISTEA/TEA-21 between 1993 and 2002 (2002 has projected figures). Figures for 2003 and 2004 are not available. TEA-21 replaced ISTEA in FY 1998.



Highway account revenues for fiscal year 2000

Source: Federal Highway Administration

ISTEA/TEA-21 Funding	
1993	\$358
1994	\$393
1995	\$393
1996	\$422
1997	\$384
1998	\$503
1999	\$530
2000	\$666
2001	\$676
2002	\$713

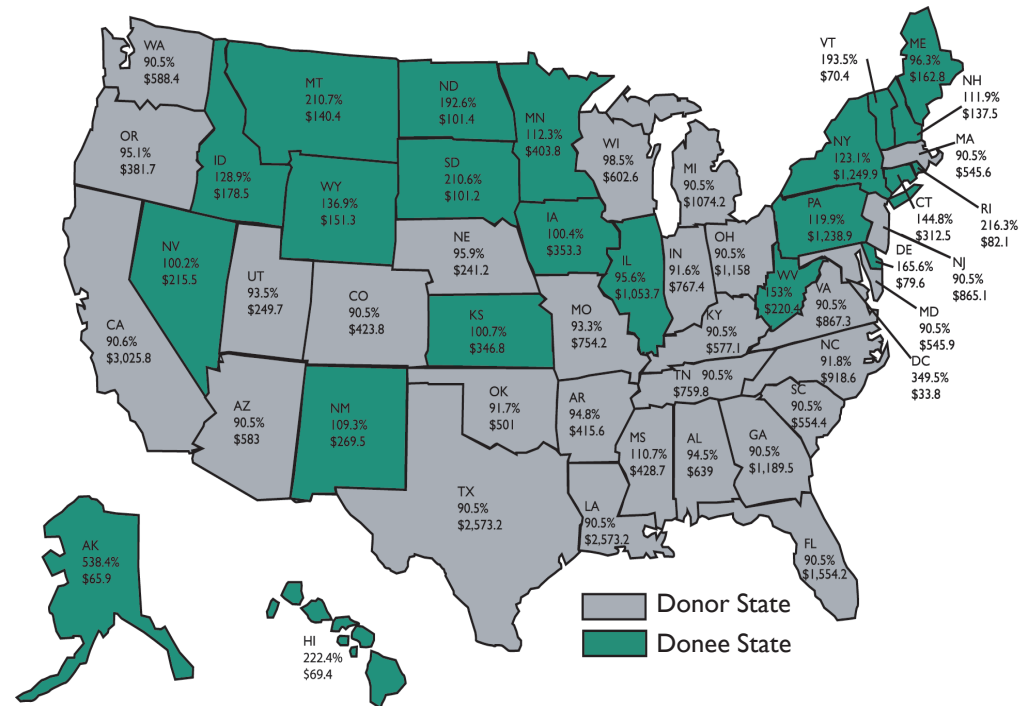


FFY 2002 Rate of Return on Contributions into Federal Highway Trust Fund (\$ in millions)

Calculating Rate of Return

In each state, federal highway user taxes (i.e. gas taxes) are sent to the federal government and are credited to the Federal Highway Trust Fund, as provided by law. It would seem equitable for a state to receive back from the federal government an amount proportionately equal to the taxes it paid into the Trust Fund. However, until recently, states received distributions from the fund in widely varying amounts as a result of the complex laws and formulas governing these monies.

Before the passage of the Transportation Equity Act for the 21st Century (TEA-21), Indiana received only a 78 percent rate of return on its share of contributions to the Highway Trust Fund—one of the lowest in the nation. After the passage of TEA-21, Indiana increased to a 90.5 percent minimum guaranteed rate. The FY 2002 rates of return (based on FY 2000 contributions) are shown on the chart to the right for each state.



Local Distribution

INDOT and local agencies in Indiana share the federal apportionments made available yearly to the state. The chart to the right illustrates the transportation funding that has been made available to the local agencies (metropolitan planning organizations, cities and towns and counties) since 1997. Each category of local agencies receives an increase in funding each year that equals the overall percent increase in federal funds received by the state of Indiana.

